

# APPENDIX 4D - HALF-YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2016

Name of Entity	CAPRAL LIMITED
A.B.N	78 004 213 692
Half-Year Ended	30/06/2016
Reporting Period	1 January 2016 to 30 June 2016
Previous Period	1 January 2015 to 30 June 2015

## Results for announcement to the market

	30 June 2016 \$'000	30 June 2015 \$'000	Change \$'000	Change %
<b>2.1 Revenues from ordinary activities</b>	<b>210,198</b>	194,700	15,498	8.0%
<b>2.2 Profit/(loss) from ordinary activities after tax attributable to members</b>	<b>6,791</b>	(1,480)	8,271	N/A
<b>2.3 Net profit/(loss) for the period attributable to members</b>	<b>6,791</b>	(1,480)	8,271	N/A
<b>2.4 Interim dividends</b>	<b>30 June 2016</b>		<b>30 June 2015</b>	
	Amount per security	Imputed amount per security	Amount per security	Imputed amount per security
	no dividend declared for half year		no dividend declared for half year	

## 2.5 Record date for determining entitlements to and the date for payments of the dividends (if any)

Not Applicable

## 2.6 Explanation of 2.1 to 2.4

Please refer to the Director's Report (included with this Report) and its attachments.

## 3.0 Net Tangible Assets per security

	30 June 2016	30 June 2015
NTA (cents per share)	24.1	22.8
Number of shares	474,684,577	474,684,577

## 4.0 Entities over which control has been gained or lost

Not Applicable

## 5.0 Individual and total dividends

Not Applicable

## 6.0 Dividend or dividend reinvestment plans

Not Applicable

## 7.0 Associates and joint venture entities

Not Applicable

## 8.0 Foreign Entities

Not Applicable

## 9.0 Audit dispute or qualification

Not Applicable

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## DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Capral Limited (**Capral**) and the entities it controlled at the end of, or during, the half-year ended 30 June 2016 and the independent auditor's review report thereon.

### Directors

The following persons were directors of Capral during the half-year and, except as indicated below, up to the date of this report:

Name	Period Office Held
R. L. Wood-Ward	6 November 2008 - Date of this report
A. M. Dragicevich	15 April 2013 – Date of this report
P. J. Jobe	24 April 2009 - Date of this report
I. B. Blair	23 May 2006 - Date of this report
G. F. Pettigrew	18 June 2010 - Date of this report

### Review of operations and key results

Capral today announced a profit after tax of \$6,791,000 for the half-year ended 30 June 2016, compared with a \$1,480,000 loss after tax for the corresponding period last year.

No dividend has been declared for this half-year.

### Results Overview

Please refer to the separate "2016 Half Yearly Results Presentation" dated 23 August 2016 for an explanation of the results for the half-year ended 30 June 2016.

### Auditor's independence declaration

The auditors' independence declaration as required under section 307C of the Corporations Act is set out on page 2.

### Rounding of amounts

Capral is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with this, amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors



R. Wood-Ward  
Chairman



A. Dragicevich  
Managing Director

Sydney  
23 August 2016

The Board of Directors  
Capral Limited  
Level 4  
60 Phillip Street  
PARRAMATTA NSW 2150

23 August 2016

Dear Board Members

## Auditors Independence Declaration to Capral Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Capral Limited.

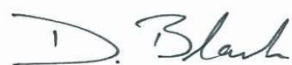
As lead audit partner for the review of the financial statements of Capral Limited for the half-year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David Black  
Partner  
Chartered Accountants  
Parramatta, 23 August 2016

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2016

		Consolidated Half-year ended	
	Note	30 June 2016 \$'000	30 June 2015 \$'000
<b>Revenue</b>		<b>210,198</b>	194,700
Other income	5	108	88
Changes in inventories of finished goods and work in progress		892	(2,793)
Raw materials and consumables used		(120,450)	(116,929)
Employee benefits expense		(43,278)	(39,359)
Depreciation and amortisation expense		(2,947)	(3,471)
Finance costs		(498)	(637)
Freight expenses		(5,473)	(5,038)
Occupancy costs		(8,218)	(8,297)
Repair and maintenance expense		(3,731)	(3,232)
Restructuring costs		-	(266)
Other expenses		(19,812)	(16,246)
<b>Profit/(loss) before income tax</b>		<b>6,791</b>	(1,480)
Income tax benefit	2	-	-
<b>Profit/(loss) for the period</b>		<b>6,791</b>	(1,480)
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
<b>Total comprehensive income/(loss) for the period</b>		<b>6,791</b>	(1,480)
		<b>2016</b>	2015
<b>Earnings/(loss) per share</b>		<b>Cents per share</b>	Cents per share
Basic (cents per share)		1.43	(0.31)
Diluted (cents per share)		1.41	(0.31)

The weighted average number of ordinary shares on issue used in the calculation of basic earnings/(loss) per share was 474,684,577 (2015: 474,703,161) and the earnings used in the same calculation was \$6,791,000 (2015: loss \$1,480,000).

The weighted average number of ordinary shares on issue used in the calculation of diluted earnings/(loss) per share was 481,088,619 (2015: 474,703,161) and the earnings used in the same calculation was \$6,791,000 (2015: loss \$1,480,000).

*The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

		Consolidated	
	Note	30 June 2016 \$'000	31 December 2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		21,931	20,143
Trade and other receivables		70,265	60,533
Inventories		73,018	67,838
Other financial assets		47	71
Prepayments		2,499	2,232
<b>Total current assets</b>		<b>167,760</b>	<b>150,817</b>
<b>Non-current assets</b>			
Other receivables		84	84
Deferred tax assets		2,857	2,857
Property, plant and equipment		38,446	39,712
Other intangible assets		182	163
<b>Total non-current assets</b>		<b>41,569</b>	<b>42,816</b>
<b>Total assets</b>		<b>209,329</b>	<b>193,633</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		74,776	66,270
Borrowings		48	48
Current provisions		11,995	11,708
Deferred income		156	107
<b>Total current liabilities</b>		<b>86,975</b>	<b>78,133</b>
<b>Non-current liabilities</b>			
Non-current provisions		4,942	4,807
<b>Total non-current liabilities</b>		<b>4,942</b>	<b>4,807</b>
<b>Total liabilities</b>		<b>91,917</b>	<b>82,940</b>
<b>Net assets</b>		<b>117,412</b>	<b>110,693</b>
<b>EQUITY</b>			
Issued capital		425,744	425,744
Reserves		9,657	9,729
Accumulated losses		(317,989)	(324,780)
<b>Total equity</b>		<b>117,412</b>	<b>110,693</b>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 30 June 2016

		Consolidated Half-year ended	
	Note	30 June 2016 \$'000	30 June 2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		221,486	209,081
Payments to suppliers and employees		(217,536)	(216,105)
Interest and other finance costs paid		(474)	(613)
<b>Net cash flows provided by/(used in) operating activities</b>		<b>3,476</b>	<b>(7,637)</b>
<b>Cash flows from investing activities</b>			
Interest received		12	29
Payments for property, plant and equipment		(1,574)	(1,510)
Payments for intangible assets		(126)	(100)
Proceeds from sale of property, plant and equipment		-	7
<b>Net cash flows used in investing activities</b>		<b>(1,688)</b>	<b>(1,574)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,788</b>	<b>(9,211)</b>
Cash and cash equivalents at the beginning of the half-year period		20,143	16,502
<b>Cash and cash equivalents at end of the half-year period</b>	12	<b>21,931</b>	<b>7,291</b>

*The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 30 June 2016

Consolidated	Issued capital \$'000	Equity-settled compensation reserve \$'000	Asset revaluation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 January 2015	425,744	9,172	221	(322,269)	112,868
Loss for the period	-	-	-	(1,480)	(1,480)
Total comprehensive loss for the period	-	-	-	(1,480)	(1,480)
Share-based payment expense	-	318	-	-	318
Shares acquired for conversion of vested rights	-	(255)	-	-	(255)
<b>Balance as at 30 June 2015</b>	<b>425,744</b>	<b>9,235</b>	<b>221</b>	<b>(323,749)</b>	<b>111,451</b>
Balance as at 1 January 2016	425,744	9,508	221	(324,780)	110,693
Profit for the period	-	-	-	6,791	6,791
Total comprehensive profit for the period	-	-	-	6,791	6,791
Share-based payment expense	-	(16)	-	-	(16)
Shares acquired for conversion of vested rights	-	(56)	-	-	(56)
<b>Balance as at 30 June 2016</b>	<b>425,744</b>	<b>9,436</b>	<b>221</b>	<b>(317,989)</b>	<b>117,412</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the half-year ended 30 June 2016

### **1 Significant accounting policies**

Capral Limited (**Capral**) is a company domiciled in Australia. The consolidated half-year financial report of Capral for the half-year period ended 30 June 2016 comprises Capral and its subsidiaries (**consolidated entity**).

#### **(a) Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting (which complies with the International Financial Reporting Standard IAS 34: Interim Financial Reporting), other mandatory professional reporting requirements and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. This report is to be read in conjunction with the most recent annual financial report for the year ended 31 December 2015 and any public announcements made by Capral during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

#### **(b) Basis of preparation**

Capral is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with this, amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The half-year financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial assets and liabilities at fair value through profit and loss and certain classes of property, plant and equipment. Cost is based on the fair values of consideration given in exchange for assets. Except where indicated otherwise, all amounts are presented in Australian dollars.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in Capral's annual report for the financial year ended 31 December 2015.

#### **(c) Significant accounting judgements, estimates and assumptions**

In the application of Capral's accounting policies, Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **(d) Adoption of new and revised standards**

Capral has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the consolidated entity.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the half-year ended 30 June 2016

### **(e) Standards and interpretations in issue not yet adopted**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. Other than in relation to AASB 15 and AASB 16 the potential impact of which Management is currently assessing, their adoption is not expected to have any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15', and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	31 December 2018
AASB 16 Leases	1 January 2019	31 December 2019
Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2)	1 January 2018	31 December 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	31 December 2017

### **(f) Impairment of non-current assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which that asset belongs. Management views the Group as representing one CGU.

If there is an indication of impairment, the recoverable amount of property, plant & equipment and intangible assets will be determined by reference to a value in use discounted cash flow valuation of the Group, utilising financial forecasts and projections.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Cash flows that may result from prior period tax losses are not taken into account. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

At 30 June 2016 there was no indication of impairment or reversal of impairment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

Consolidated Half-year ended	
30 June 2016 \$'000	30 June 2015 \$'000

### 2 Income tax

#### (a) Tax reconciliation

The income tax expense/(benefit) for the half year differs from the prima facie amount calculated by reference to the pre-tax profit/(loss). The differences are reconciled as follows:

Profit/(loss) from continuing operations before income tax benefit	6,791	(1,480)
Income tax expense/(benefit) calculated at 30%	2,037	(444)
Tax effect of non-assessable / non-deductible items:		
Effect of items that are temporary differences for which (decrease) / increase in deferred tax assets have not been recognised	(483)	(1,525)
Effect of items that are not deductible or taxable in determining taxable profit	19	120
Effective income tax expense/(benefit)	1,573	(1,849)
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	(1,573)	-
Effect of unused tax losses not recognised as deferred tax assets	-	1,849
Income tax expense/(benefit) recognised in profit or loss	-	-

#### (b) Tax losses

Accumulated unused gross tax losses for which no deferred tax asset has been recognised.	292,557	295,753
Potential tax benefit @ 30%	87,767	88,726

All unused tax losses were incurred by Australian entities.

### 3 Dividends

#### Fully paid ordinary shares

Interim dividend and final dividend	-	-
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### 4 Segment information

The information reported to the consolidated entity's chief financial operating decision maker for the purposes of resource allocation and assessment of performance is focused on the type of goods supplied, being aluminium products. As such, in 2016 and 2015, the consolidated entity operated in one reportable segment under AASB 8.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the half-year ended 30 June 2016

	<b>Consolidated Half-year ended</b>	
	<b>30 June 2016 \$'000</b>	<b>30 June 2015 \$'000</b>
<b>5 Other income</b>		
Royalties	<b>106</b>	88
Other	<b>2</b>	-
	<b>108</b>	<b>88</b>

**6 Issuance of equity securities**

**Performance Rights - Managing Director**

During the half-year, 2,500,000 performance rights were issued to Mr Dragicevich under the Long Term Incentive Plan (LTIP) pursuant to shareholder approval at Capral's AGM in April 2016. These rights were issued subject to the achievement of performance conditions and have been independently valued as follows:

- EPS – 1,250,000 rights at \$0.110 per right
- TSR – 1,250,000 rights at \$0.080 per right

During the half-year, 1,416,750 performance rights granted to Mr Dragicevich as part of the 2014 and 2015 LTIP awards lapsed.

The total number of these performance rights outstanding as at 30 June 2016 is 4,583,250 (31 December 2015: 3,500,000).

**Performance Rights - Executive and Senior Management**

During the half-year, 4,500,000 performance rights were issued under the LTIP of which 4,500,000 remain as at 30 June 2016. The new rights were issued subject to the achievement of performance conditions.

These rights have been independently valued as follows:

- EPS – 2,250,000 rights at \$0.100 per right
- TSR – 2,250,000 rights at \$0.080 per right

During the half-year, 577,025 rights granted as part of the 2013 LTIP award vested and converted on a 1 on 1 basis to Capral ordinary shares on 01 March 2016.

During the half-year, 1,731,067 performance rights granted as part of the 2013 LTIP award, 760,000 rights granted as part of the 2014 LTIP award and 650,132 rights granted as part of the 2015 LTIP award lapsed.

The total number of these performance rights outstanding to other managers as at 30 June 2016 is 10,789,868 (31 December 2015: 10,008,092).

**Options**

No options were issued during the half-year.

During the half-year, the remaining 4,300,000 options granted to the previous Managing Director, Mr Phil Jobe in the 2009 financial year, expired on 20 April 2016.

The total number of options outstanding as at 30 June 2016 is nil (31 December 2015: 4,300,000).

**Ordinary Shares**

During the half-year, 577,025 performance rights granted to Capral's executives and senior management vested and converted on a 1 on 1 basis to Capral ordinary shares.

Capral purchased 577,025 of its ordinary shares to satisfy the obligation to deliver shares resulting from the conversion of those vested performance rights.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the half-year ended 30 June 2016

### **7 Contingent liabilities**

Claims and possible claims, indeterminable in amount, have arisen in the ordinary course of business against Capral entities. Capral has fully provided for all known and determinable claims.

Capral's bankers have issued guarantees in respect of rental obligations on lease commitments, use of utilities infrastructure, specialised trade facilities and corporate credit cards. These guarantees total \$18,857,683 (31 December 2015: \$18,857,683).

<b>Consolidated</b>	
<b>30 June</b>	<b>31 December</b>
<b>2016</b>	<b>2015</b>
<b>\$'000</b>	<b>\$'000</b>

### **8 Capital commitments**

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:

Not longer than 1 year	<b>1,234</b>	<b>1,112</b>
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### **9 Lease commitments**

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Not longer than 1 year	<b>19,198</b>	19,695
Longer than 1 year and not longer than 5 years	<b>45,882</b>	47,804
Longer than 5 years	<b>27,409</b>	29,776
	<b>92,489</b>	<b>97,275</b>

Operating leases relate to properties, vehicles and equipment with unexpired lease terms of up to 10 years, with options to extend for varying periods of up to 10 years.

Non-cancellable operating lease receivable

Not longer than 1 year	<b>1,666</b>	1,666
Longer than 1 year and not longer than 5 years	<b>3,749</b>	4,582
	<b>5,415</b>	<b>6,248</b>

### **10 Related parties**

Refer to Note 6 above in relation to equity securities granted, lapsed and converted to Capral ordinary shares during the half year under the Long Term Incentive Plan that include rights granted to Capral's Managing Director, Chief Financial Officer, General Manager - Operations and Company Secretary (who are key management personnel).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

## 11 Borrowings

As at 30 June 2016, the following facilities were in place:

Facility	Balance as at 30 June 2016 (\$'000)	Unused (\$'000)	Unamortised borrowing costs (\$'000)	Amortised cost (carrying value)	
				Repayment not longer than 1 year (\$'000)	Repayment longer than 1 year (\$'000)
GE Revolver facility	-	56,037	-	-	-
Loans from other entities	48	-	-	48	-
<b>Total Balance</b>	<b>48</b>	<b>56,037</b>	<b>-</b>	<b>48</b>	<b>-</b>

The GE revolver facility balance was offset with GE controlled cash at 30 June 2016 (see note 12 below). The expiry date of the facility is 30 June 2017.

Consolidated Half-year ended	
30 June 2016	30 June 2015
\$'000	\$'000

## 12 Cash and cash equivalents

### Reconciliation of cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank and short term deposits at call net of bank overdrafts and GE revolver facility balance. Cash as at the end of the half year as shown in the Cash Flow Statement is reconciled to the related items in the Condensed Consolidated Statement of Financial Position as follows:

Cash at bank and on hand	21,931	7,291
<b>Cash and cash equivalents at end of the half-year period</b>	<b>21,931</b>	<b>7,291</b>

The ANZ receipt account of \$15,840,000 (30 June 2015: \$14,090,000) is restricted cash as the amount in this account can only be used to repay debt. Access to cash held in the ANZ receipt account is via a request to draw down amounts from the GE revolver facility account.

## 13 Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418, the wholly owned subsidiary, Aluminium Extrusion and Distribution Pty Limited (**AED**) is relieved from the Corporations Act 2001 requirement for the preparation, audit and lodgement of financial reports.

It is a condition of that class order that Capral and AED enter into a Deed of Cross Guarantee (**Deed**). Under the Deed, Capral guarantees the payment of all debts of AED in full, in the event of a winding up. AED in turn has guaranteed the payment of the debts of Capral in full in the event that it is wound up.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the half-year ended 30 June 2016

**14 Key management personnel**

Remuneration arrangements of key management personnel are disclosed in the 2015 annual financial report. In addition, refer to Notes 6 and 10 in relation to changes during the half year; performance rights granted to Capral's current Managing Director, conversion of performance rights to ordinary shares to Capral's executives, and securities granted and expired under the Long Term Incentive Plan.

**15 Subsequent events**

No matter or circumstance has arisen since the end of the half-year that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

**DIRECTORS' DECLARATION**

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that Capral will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

At the date of this declaration, Capral is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the director's opinion, there are reasonable grounds to believe that Capral and the companies to which the ASIC Class Order applies, as detailed in Note 13 of the half-year report will, as a group, be able to meet any obligations or liabilities to which they are, or may become, liable by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the directors



R. Wood-Ward  
Chairman



A. Dragicevich  
Managing Director

Sydney  
23 August 2016



## Independent Auditor's Review Report to the members of Capral Limited

We have reviewed the accompanying half-year financial report of Capral Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2016, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising Capral Limited and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 3 to 14.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Capral Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Capral Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

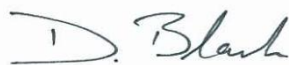
#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Capral Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



DELOITTE TOUCHE TOHMATSU



David Black  
Partner  
Chartered Accountants  
Parramatta, 23 August 2016